

AGENDA
Audit, Risk Management, Compliance, and Ethics Committee
February 2, 2023

- I. Approval of Minutes – November 3, 2022
- II. Review of Operational Metrics
- III. Action Items – None
- IV. Informational Items
 - A. Enterprise Risk Management Update (Ms. Stephanie Coleman)
 - B. University Policy Process (Mr. Wayne Poole)
 - C. External Audit Update (Mr. Wayne Poole)
 - D. Internal Audit Update (Mr. Wayne Poole)
 - E. Recent Internal Audits (Mr. Wayne Poole)
- V. Closed Session
- VI. Other Business



AGENDA ITEM

- I. Approval of Minutes.....Vince Smith, Committee Chair

Situation: Approval of the minutes from the most recent committee meeting.

Background: N/A

Assessment: N/A

Action: This item requires a vote by the committee.

**Minutes from the Audit, Risk Management, Compliance, and Ethics Committee
November 3, 2022 – Main Campus Student Center and Online Meeting**

The Audit, Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met online and in person on November 3, 2022.

Committee members present: Vince Smith (Chair), Jeff Roberts, Cassie Burt, and Ryan Bonnett.

Other senior leaders present: Trustee Chair Scott Shook, Chancellor Philip Rogers

Vince Smith, Chair of the Committee, convened the meeting at 1:20 PM. Mr. Smith read the conflict-of-interest provisions as required by the State Government Ethics Act. Mr. Smith asked if anyone would like to declare or report an actual or perceived conflict. None were reported.

Mr. Smith asked for the approval of the minutes of the September 15, 2022 committee meeting.

Action Item: The minutes of the September 15, 2022 committee meeting were approved with no changes.

Review of Operational Metrics

The committee reviewed the operational metrics related to Internal Audit and Compliance. The metrics are generally on track for the year to date. The Athletics Compliance target for the number of education sessions has been increased due to the significant ongoing changes in collegiate athletics. The Healthcare Compliance targets could evolve this year as the ECU Health integration continues.

Action Items

Mr. Wayne Poole presented proposed changes to the annual audit plan. One engagement was added to the plan, and one was cancelled. Mr. Bonnett made a motion to approve the changes. Ms. Burt seconded the motion, and all were in favor. This does not require action by the full Board.

Informational Items

Athletics Compliance – Ms. Alex Keddie

Ms. Keddie provided a brief update on recent changes related to Name, Image, and Likeness and other Athletics compliance topics, including the NCAA Transformation Committee. Chancellor Rogers commented on the rapid pace of change in the Athletics space and expressed his appreciation for the expertise and collegiality that Ms. Keddie provides the University.

Enterprise Risk Management –Vice Chancellor Stephanie Coleman

Ms. Coleman shared the matrix of top risks and briefed the committee on the recent activities of the ERM Committee.

Top Risk Update: Student Crisis Management – Vice Chancellor Virginia Hardy/Student Affairs

Dr. Hardy and her team briefed the committee on the efforts to mitigate risks related to student behaviors and dangerous incidents in the campus community. They shared information on the Dean of Students office and Student Counseling Center's efforts to assist students in distress. They also shared information on how the Care Team and University Behavioral Concerns Team ensure that risks are communicated and mitigated.

Research Compliance Update – Ms. Becky Welch

Ms. Welch briefed the committee on recent REDE organizational changes affecting the offices that handle research compliance, export controls, sponsored programs financial compliance, and human subjects' research.

**Minutes from the Audit, Risk Management, Compliance, and Ethics Committee
November 3, 2022 – Main Campus Student Center and Online Meeting**

External Audit Update – Mr. Wayne Poole

Mr. Poole briefed the committee on the University’s annual financial statement audit and the external audits of the affiliated entities. There are no anticipated issues with any of these audits and the external auditor reports are expected within the next month.

Recent Internal Audits – Mr. Wayne Poole

Mr. Poole briefed the committee on a recent consultation on the University Policy Process. Committee Chair Smith stated that the committee strongly supports the recommendations to make the policy process more efficient and consistent with the UNC Code. Chair Smith directed Mr. Poole to keep the committee updated on the progress and the timeline for revising the process.

Other Business

There was no other business to discuss, and the committee meeting was adjourned at 2:16 PM.

Respectfully submitted,
Wayne Poole
ECU Office of Internal Audit and Management Advisory Services



AGENDA ITEM

II. Operational Metrics Wayne Poole, Chief Audit Officer

Situation: Presentation of the metrics that are monitored by this committee.

Background: N/A

Assessment: Metrics are generally on track for this point in the FY.

Action: This item is for information only.



AGENDA ITEM

III. Action Items Vince Smith
Committee Chair

Situation: There are no Action Items.

Background: This committee is required to approve changes to the annual audit plan, the audit charter, and other similar documents related to oversight of Internal Audit.

Assessment: There are no Action Items for this meeting.

Action: This item is for information only.



AGENDA ITEM

IV.A. Enterprise Risk Management UpdateStephanie Coleman
Vice Chancellor for Administration and Finance

- Situation:** Regular update to the committee on the University’s top enterprise risks and emerging risks.
- Background:** This committee oversees ERM.
- Assessment:** Ms. Coleman will update the committee on recent events and changes that impact the risk landscape.
- Action:** This item is for information only.

**East Carolina University Enterprise Risk Management
2022-2024 Cycle Top Risks (as of February 2023)**

Risk	Advisory Team(s)	Sponsor(s)	Updates
<p>University workforce challenges: Recruiting and retaining qualified and diverse faculty and staff, including healthcare professionals; Retaining institutional knowledge for long-term success and sustainability; Competitive compensation; Faculty and staff wellness, stress, and burnout concerns; Morale and effectiveness of the workforce.</p> <p>Employee flexibility and remote work are key ways to mitigate these challenges, but these opportunities present risks related to cybersecurity, tax, export controls, compliance, and accountability of University assets.</p>	Cabinet, Human Resources	VCAF	<p>Update to Audit Committee Apr 2022.</p> <p>Various institutional and UNC System initiatives in progress.</p> <p>IA engagement on remote/flex work accountability – brief Audit Cmte Feb 2023</p>
<p>University financial sustainability: The ability to maintain sustainable revenues from all sources (enrollment, auxiliaries, appropriations), understanding the impacts of the new funding model, and the impact of economic conditions during the period covered by this risk assessment</p>	Cabinet, Finance	VCAF	<p>Recurring financial updates to Finance and Facilities Committee. Detailed briefing by VCAF Feb 2023.</p>
<p>Student recruitment and retention in an increasingly competitive market, magnified by reputation/perception challenges outside eastern NC</p>	Strategic Enrollment Planning Team	Provost	<p>Continuous efforts and recurring updates to University Affairs Committee.</p>
<p>Cyber threats (from external and internal sources) to the confidentiality, integrity, and availability of data and information systems</p>	CIO, CISO	VCAF	<p>Numerous internal and external reviews and mitigation efforts underway. Briefings for Audit Committee Sep 2022, Feb 2023.</p>
<p>Position vacancies in key areas resulting in weakening of internal controls</p>	Cabinet, Internal Audit	All VCs	<p>Reviewed during annual self-assessment of internal controls and as part of numerous internal audits. IA briefing for Audit Cmte Feb 2023</p>
<p>Student crisis management, including food/housing insecurity, mental and physical health, and other urgent needs</p>	Cabinet, Student Affairs	VCSA	<p>Briefing to BOT Audit Committee, Nov 2022</p>
<p>Maintaining campus infrastructure, including routine and deferred maintenance, and hiring of external contractors/service providers</p>	Campus Operations	VCAF	<p>Recurring briefings to BOT Budget, Finance, and Infrastructure Committee</p>
<p>Continuing senior leadership transitions and reorganization, consistency and stability at the top, and impact on university's reputation, culture, strategy, goals, and sharing of information across divisions and units</p>	Cabinet	Chancellor	
<p>Clinical Healthcare: financial sustainability, dependence on external relationships for healthcare delivery, and risks related to the ECU Health integration</p>	BSOM Dean	Chancellor, BSOM Dean	<p>Periodic briefings to the BOT Strategy and Innovation Committee</p>
<p>Significant changing regulatory compliance requirements, including healthcare, HIPAA, research, foreign influence/research security, DoD cybersecurity requirements, athletics, Title IX, personnel, pandemic relief funding, equal opportunity, and privacy</p>	Legal Affairs, Internal Audit, Compliance Offices	Chancellor, VC Legal Affairs	<p>Regulatory Compliance Workgroup formed per Chancellor's direction, Aug 2022. Update to BOT Sep 2022 and Feb 2023.</p>

East Carolina University Enterprise Risk Management 2022-2024 Cycle Secondary Risks

(These were considered by the ERM Committee but are not presently considered “top risks”)

- ECU's reputation and visibility in large urban areas/competitive markets and with financial supporters (donors, legislators)
- Governance relationships and the impact on ECU's reputation, budget, and support (*in the top 10 during our previous risk cycle*)
- Sustainability of academic and student support programming and services and ability to meet student needs and parent and societal expectations, especially in the current environment (*in the top 10 during our previous risk cycle*)
- Technology backup, recovery, and continuity and coordination of priorities between IT and functional management
- Increased risk in academic integrity issues with the number of remote students and exams
- Legal liability issues specifically related to or resulting from COVID-19, including health and safety, student access, long-term accommodations, and employment matters (EEOC, ADA, etc.)
- Inability to sustain innovation and economic development due to resource constraints, impacting the engagement with and positive outcomes for eastern NC
- Business continuity planning that could be insufficient to prevent an operational failure from a disaster or other significant event(s)
- Lack of dedicated identification and monitoring of sponsored program expenditures and tracking of institutional metrics for externally funded research amplified by inadequate interfaces between the information systems used for research
- Conflicts of interest in research and patient care, which could result in loss of external funding and reputational damage
- Affiliated Entities' risk of noncompliance with operating agreements, misalignment with the university's mission, and potential for reputational damage
- Social unrest that could result in unsafe conditions, property damage, or reputational damage (could be related to students, employees, or the general public)

East Carolina University Enterprise Risk Management Emerging Risks as of February 2023

- Inability to sustain extramural research and sponsored programs due to resource constraints, impacting faculty scholarship, discoveries and advances, faculty recruitment and retention, and student engagement.
- Responding to the changing demographics of our students. Adult learners’ needs will be different than traditional college-aged students. Adult learners will not be as interested in student affairs services such as clubs, organizations, activities, etc., or perhaps athletics. The University will need to right-size these and other services to meet the needs of our different student populations.

AGENDA ITEM

IV.B. University Policy Process Update..... Wayne Poole
Chief Audit Officer

Situation: The committee will hear an update on recommended changes to the University Policy vetting and approval process.

Background: Earlier in this fiscal year, Internal Audit completed a consultation on the University Policy Process and made recommendations to make the process more efficient, reduce cost, and better align ECU's process with the UNC Code. The Chancellor has considered the recommendations. The Chancellor and this committee directed that work proceed. Committee Chair Smith asked for regular updates on this progress.

Assessment: Mr. Poole will update the committee on the progress to date, and next steps.

Action: This item is for information only.



AGENDA ITEM

IV.C. External Audit Update Wayne Poole
Chief Audit Officer

- Situation:** The annual external financial audits of the University and its affiliated entities are all complete.
- Background:** This committee is responsible for receiving reports of all internal and external audits. Mr. Poole sent the written reports to the committee.
- Assessment:** The NC Office of the State Auditor and the external audit firms have completed the required independent financial audits of the University and its four affiliated entities. All of the audits had “clean” results with no findings.
- Action:** This item is for information only.



AGENDA ITEM

IV.D. Internal Audit Update Wayne Poole
Chief Audit Officer

- Situation:** Some of the requirements imposed on the Internal Audit function are changing.
- Background:** The Internal Audit function at all state agencies and Universities is required to abide by the *International Standards for the Professional Practice of Internal Auditing*, referred to as the *IIA Standards*. These rules will be changing in the coming year. In addition, the NC Council of Internal Audit has established new expectations for internal audit at state agencies, their Chief Auditors, and Chief Executives.
- Assessment:** Mr. Poole will brief the committee on the changes.
- Action:** This item is for information only.

Internal Audit Update

ECU Board of Trustees – Feb 2023

Office of Internal Audit and Management Advisory Services

Agenda...

- Upcoming changes to the IIA *Standards*
(International Standards for the Professional Practice of Internal Auditing)
- New State Requirements

IIA Standards

- Managing the IA function, standards for risk assessment, evidence, documentation, reporting, follow-up...
- Last updated in 2017
- “Significant” update drafted
- Effective date ~July 2024
- Potential impact to IA processes
- Will use/evaluate during annual self-assessment process

State Internal Audit Oversight

NC Council of Internal Auditing*

- Guidelines for uniformity and quality of state entity IA activities
- KPIs, criteria, best practices
- Receive all IA reports, Audit Plans, Charters
- Propose IA-related legislation

* State Controller, State Budget Officer, State Auditor, Sec of Administration, Attorney General, Secretary of Revenue, Senate Rep, House Rep

State Requirements-What's New

- Annual self-assessment/maturity report (2021)
- Annual audit plan attestation (Chancellor, CAO)
- Quarterly audit report attestation (Chancellor, CAO)
- New KPIs – hours, recommendations, etc.
- Annual productivity report
- Audit Planning process – 3-year review
- Recent staffing analysis – no impact on ECU

Questions or Comments?





AGENDA ITEM

IV.E. Recent Internal Audits..... Wayne Poole
Chief Audit Officer

- Situation:** The committee receives a briefing at each meeting on selected internal audit engagements that have been closed.
- Background:** Committee Chair Smith selected the engagements to be discussed at this meeting.
- Assessment:** Mr. Poole will present background and results of the selected engagements.
- Action:** This item is for information only.

Recent Internal Audits

ECU Board of Trustees – Feb 2023

Office of Internal Audit and Management Advisory Services

Fiscal Year to date...

- Completed 24 engagements
 - Does not include external audit assistance, routine consultations, hotline triage, follow-up on prior recommendations, committees, client relations and outreach

Recent notable engagements

- Related to top enterprise risks
 - University workforce challenges
 - Position vacancies/turnover and internal controls
 - Cyber threats
- External interest



AGENDA ITEM

V. Closed Session Wayne Poole
Chief Audit Officer

- Situation:** The committee will need to discuss certain ongoing or completed audit issues that are not a matter of public record due to their content.
- Background:** This committee is responsible for receiving reports of all internal and external audits.
- Assessment:** The committee will receive a briefing on the relevant issues.
- Action:** The closed session business is for information only.



AGENDA ITEM

VI. Other Business Wayne Poole
Chief Audit Officer

Situation: Other items to be brought to the committee if applicable

Background: N/A

Assessment: Other items to be brought to the committee if applicable

Action: This item is for information only.